

**ARMENIAN  
URBAN DEVELOPMENT AND  
HOUSING REFORM PROGRAM  
TO ENCOURAGE THE FORMATION OF  
CITY OFFICES OF CONDOMINIUM SERVICES**

**EXIT REPORT**

**NOVEMBER, 1995**

**Prepared for the U.S. Agency for International Development  
Bureau for Europe and the New Independent States  
Office of Environment, Energy and Urban Development  
Urban Development and Housing Division**

**By**

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USAID Contract No. NIS C.C.S-0008-C-00-2056-00  
Project No.XXXX  
Task Order No. 101  
Shelter Sector Reform Program for  
The Newly Independent States of the Former Soviet Union**

## **ABSTRACT**

**During the last half of 1995, ICMA trained resident facilitators conducted a series of USAID sponsored condominium formation seminars for the largest cities in Armenia. The seminars were an outgrowth of a concerted effort by USAID/ICMA to assist local governments in complying with the May 6, 1995, Government Decision of the Republic of Armenia mandating the cities to implement a program to convert the multifamily housing stock to condominium ownership by the end of 1995. A condition for additional advisory assistance from USAID/ICMA required that cities establish and staff an Office of Condominium Services to administer the condominium program and provide training and assistance to owners seeking to register condominiums.**

**This paper describes the measures taken and the assistance provided in establishing an Office of Condominium Services within the government organizational structure for the capital city of Yerevan, and within the government of the city of Vanadzor, an industrial city still working to recover from the devastation caused by the 1988 earthquake. The first condominium association in Armenia was registered utilizing the training and materials provided by USAID/ICMA during this task order and that previously mentioned. A number of recommendations are included in this report.**

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## **ACKNOWLEDGMENTS**

**A great deal of work contributed to the successful completion of this task order and the recordation of the first private residential condominium in the Republic of Armenia. The author made a modest contribution to this seminal event. The real work was done by the residents themselves, by the government officials, and the dedicated staff and contractors of ICMA Yerevan. While acknowledging that numerous people have contributed to the success of the task order, certain individuals have had a direct involvement in the accomplishments reported herein and deserve recognition. We especially acknowledge the contributions of:**

**Steven J. Anlian, ICMA Resident Advisor  
Diana Avetian, Project Manager**

**Anahit Karapetian, Translator  
Melik Karapetian, Office Manager**

## **II. EXECUTIVE SUMMARY**

**In May, 1995, the Republic of Armenia adopted a Governmental Decree on Co-Ownership Entities climaxing six years of work on housing reform measures and a three year collaboration with USAID/ICMA. Among the housing reform accomplishments was the launching of a nationwide program mandating the conversion to condominium ownership for all buildings having more than half of the apartment units privatized. Soon after adoption of the Governmental Decree mandating the conversion to condominium ownership, Michael E. Kucharzak, author of this report, was sent to Armenia to develop and implement a training program for local government officials designed to help the largest cities in Armenia comply with the Decree by registering those buildings mandated to be converted to condominium ownership by the end of 1995. The task order required that Kucharzak train local instructors so that they will be able to complete the training on an additional 35 cities by year end. The task order was successfully completed, and the resident trainers are offering the training on a schedule that will meet the goal established for the program.**

**Following the task order visit and the training of the seven largest cities, a study tour for select program participants provided additional training in the operation and management of condominiums in the United States. The positive reception of the condominium conversion program led USAID/ICMA to send the author back to Armenia for two weeks in October-November to work with the local trainers and the project manager in the next phase of the condominium conversion program, the establishment of an operating Office of Condominium Services, and the registration of the first condominium within the Republic of Armenia. The task order for this second visit by the author required providing technical assistance to two cities, the capital city of Yerevan, and the industrial city of Vanadzor, both of which demonstrated an excellent grasp of the program requirements and a strong political will to accomplish the task as evidenced during the USAID/ICMA training program and the United States study tour.**

**This report summarizes the meetings and actions taken by the author and the resident staff of the ICMA office in Armenia in fulfilling the task order. The goals of the task order have been successfully accomplished.**

### **III. BACKGROUND**

#### **A. ACTIONS TAKEN PRIOR TO THE START OF THE TASK ORDER**

##### **1. Accomplishments of the City of Yerevan**

During the period immediately following the first task order which provided USAID/ICMA training for the city of Yerevan officials and the beginning of this task order, the city of Yerevan accomplished the following:

- Assigned the responsibilities for the administration of the condominium program to Kamo Khachatrian, Head of the Yerevan Maintenance Department.
- Established an administrative Office Of Condominium Services within the central administrative offices of the Maintenance Department.
- Appointed Ruben Ter-Grigorian to head the Office of Condominium Services.
- Hired Gayane Fandunts as office manager for the central administrative Office of Condominium Services.
- Hired 16 facilitators and assigned them to specific *Zshek* districts.
- Established a goal to have 60 condominiums registered before the end of the year, and assigned the task to specific facilitators and *Zshek* districts.
- Established a policy whereby Khachatrian and Ter-Grigorian meet with the facilitators on a weekly basis.

##### **2. Accomplishments of ICMA**

Prior to Kucharzak's arrival, ICMA Yerevan established an office within the newly established Office of Condominium Services located within the central administrative offices of the City of Yerevan Department of Maintenance, which will become the State Enterprise of Utilization of Buildings and Structures at the first of the year. ICMA Project Manager Diana Avetian was assigned to the office.

#### **B. THE DEMONSTRATION PROJECT**

For several months, the Yerevan ICMA office has been working with the leadership of an emerging condominium that has demonstrated strong initiative in forming a condominium consisting of 432 dwelling units. Prior to the start of this task order, the condominium had completed the model forms for registering a condominium provided by ICMA, had held their organizational meeting, elected their officers, and submitted the completed documents to the Yerevan City Council for a Decision, and to the local office of the state registrar for recordation. On October 20, 1995, the city council issued Decision #39/11 Organizing a Condominium in Buildings 1 and 3, Yerevan Kochar Street and 20, 22 and 24 Vardanants Street, and named it as the "H&H" Condominium. The name comes from the first names of two resident leaders, Haik and Hovik who organized the residents and moved the association through the formation and application process. On November 8, 1995, after a brief ceremony, the H&H condominium became the first condominium association to be registered in the Republic of Armenia.

On November 4, Kucharzak was invited to attend a meeting of the association board. In addition to the six board members, ten other residents were in attendance. Working from a prepared agenda, the board approved the organizational structure of the association, assigned committee chairs and began the hard work of determining the sources of income including the owner assessments, and the identification of long and short term goals that the association could address. The board, at the suggestion of the president, added a cabinet and agreed to amend the charter to include the administrative body which is intended to deal with issues that the president cannot decide on his own, but cannot wait until the 19 member board can meet. The board is currently negotiating with the city in an effort to rent a vacant commercial space within the building that will be used as the association office. A number of staff positions were proposed for discussion including: the property manager, an accountant and an attorney. In addition to the administrative staff the board discussed the possibility of hiring an electrician, a plumber and a janitor. The discussion turned to the compensation that would be paid to the staff and the need to determine the amount of income that could be generated so that the board could better determine the number of staff positions that could be supported. One of the directors suggested seeking sponsors for the association, including the possibility of receiving a grant from the United States. Having raised the possibility of receiving a grant from the United States, the president presented a request to the author accompanied by a 29 item list carefully typed in English. Kucharzak disabused the board from pursuing the U.S grant idea, and suggested that the board focus on other local sources of generating revenue. The board had a good grasp of the complexities of hiring personnel as evidenced by the discussions that included an expression of concern that the association pay a living wage to their employees, taking into account that the government will withhold 37 percent of the gross salary for the social tax. Further evidence of the sophistication and business acumen of the board was evidenced by the decision to explore the installation of water meters in an effort to conserve water and to lower the cost to the owners by only paying for the actual consumption rather than the current per person assessment. The suggestion assumes



that a progressive consumption rate schedule will be adopted by the city. The suggestion parallels the desire of the city head of maintenance to encourage a demonstration of the energy conservation that could be realized through the metering of the pipe supplied utilities. The board decided to assign the task of determining the staffing needs, and the development of a list of suggested short and long term tasks that could be considered by the board to the committees for study with a report to the board due in a week.

Among the problems confronting the association are:

- The lack of equipment for the office and the maintenance staff
- The need for the republic or the city to amend the legislation to obligate commercial spaces contained within the structures comprising the association to be included in the property roster. This would permit the association to collect the commercial rent, a potentially important source of income for the association.
- The need for clarification of the services that the city will continue to provide to the condominium. Specifically, a clarification of the extent of responsibility for the utility supply system. The association needs to know if they are responsible for the utility supply system within the structures and the city responsible for the supply system outside the building envelope.

#### **IV. OBJECTIVE**

The task order is intended to help create a local capacity to assist the process of forming effective condominium associations on an ongoing basis.

The principal mission of the Office of Condominium Services (OCS), is the implementation of the government-adopted housing policy. In order to grant the OCS the status and authority to accomplish the assigned mission, the OCS has been formally established by the Executive Committee of the Yerevan City Council. Following their established policy of appointing the line managers, the executive committee also appoints the head of the city maintenance office, which is the department to which the Office of Condominium Services is assigned. Before the work on this task order began, the executive committee assigned the responsibility for the condominium program to the Yerevan city maintenance department and appointed its top administrator, Kamo Khachatrian, to head the condominium conversion effort. Kamo Khachatrian appointed Ruben Ter-Grigorian as top manager of the Office of Condominium Services for the City of Yerevan, and established an office in the central administration building of the maintenance department. Khachatrian petitioned ICMA to provide a temporary housing advisor to assist the city in establishing the OCS. The fulfillment of that request resulted in the task order that is reported upon in this report.

#### **V. THE TASKS**

##### **A. PRE-TRIP PREPARATIONS**

Prior to leaving for Armenia, Kucharzak reviewed the last task order and the resulting report from the previous trip he made to Armenia to help establish a training program for local government officials implementing the program to register condominiums. Because the Yerevan State University 201 course training materials have not been translated into English, Kucharzak reviewed the text ABCs A Basic Course for Association Leaders by Katherine Rosenberry,<sup>1</sup> which John Lawton said was the basis upon which the Yerevan State University courses were developed. The material in ABCs provided a basic understanding on the operation, legal status and financing of owning and managing a condominium association in the United States. Kucharzak believed the material would be helpful if presented to the staff of the Office of Condominium Services. He also felt that the basic material should be presented in a handout or workbook format similar to the materials prepared for Kazakhstan following the introduction of the training for city officials. To assure that adequate materials were available once Kucharzak arrived in Armenia, he visited several libraries and selected a number of books on the purchase, ownership and

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<sup>1</sup>Is A Basic Course For Association Leaders, Rosenberry, Katherine  
Community Associations Institute, Alexandria, VA 1994

management of condominiums. Selected material was photocopied and a book that may prove helpful was brought along to Armenia. In addition, materials prepared under other USAID/ICMA contracts for Romania, Kazakhstan, as well as the final report from the first visit to Armenia, and a number of job descriptions that may be helpful in identifying staffing needs were packed for the TDY visit.

**B. MEETINGS WITH LOCAL OFFICIALS TO HELP DESIGN THE  
THE DEPARTMENT, IDENTIFYING TASKS STRUCTURE,  
STAFFING, PHYSICAL SPACE, EQUIPMENT AND BUDGET.**

**1. Meetings with the Top Administrators of the Office Of Condominium Services**

A half day meeting with ICMA Resident Advisor, Steven Anlian, and Project Coordinator, Diana Avetian, provided the author with the background on the current status of the condominium program in Armenia. Considerable progress has been made on the first phase of the program to encourage the formation of condominiums. On the encouragement by the head of the *Haibnakkomuntnt*, the maintenance service organization for Armenia excluding the city of Yerevan, the ICMA staff expanded the training program from the original 26 cities to the current goal to train 44 of Armenia's largest cities. A legal problem has required the intervention of the Cabinet of Ministers or the Prime Minister to introduce a correcting piece of legislation that will amend the Decree on Co-Ownership Entities by deleting the requirement that the operation of condominium associations be based on the national law on Enterprises and Entrepreneurial Activities which required the condominiums be registered as non-profit entities. Without the modification, condominium associations will have to demonstrate that they have a set amount of assets on deposit in a state bank. This would be an insurmountable problem for the emerging condominiums. Work on the task order continued pending the resolution of the legal conflict.

The scheduled meeting with Kamo Khachatrian, head of the Yerevan maintenance department was held. Ruben Ter-Grigorian, head of the Yerevan Office of Condominium Services, was absent due to illness. The meeting resulted in a beneficial exchange of ideas on the condominium program. Khachatrian provided the author with background information as to how the condominium program came to be assigned to the city maintenance department. Khachatrian stated that he is committed to the privatization of the city maintenance departments (*Zshek*) and has developed a plan for privatization that has been submitted to the office of the mayor, but has not been acted upon. He stated that the mayor is interested in eliminating the middle management piece of the maintenance structure, the eight district maintenance offices, leaving the central administration and the 54 *Zshek* offices. The privatization of the city maintenance functions is a major concern to the city maintenance staff and is a critical area that requires more attention to assure that the

maintenance personnel do not undertake measures to derail the housing reform efforts of the government and USAID/ICMA.<sup>2</sup>

Kucharzak acknowledged the work accomplished by the city in establishing the Office of Condominium Services. He stressed that the office on the first floor of the city's central maintenance administration building is adequate as a central administrative office, but the structure of the OCS will result in the residents identifying the OCS with the district *Zshek* offices. This may result in a perception of the quality and delivery of housing services to be "business as usual." Kucharzak further stressed the importance of the facilitators and the neighborhood site offices (54 *Zshek* offices). The key role of the facilitators requires that they be available for meetings with owners at times that are convenient to the owners (evenings - weekends) and that the neighborhood offices be staffed with knowledgeable clerical support staff that can distribute an owner's packet containing the forms pamphlets and necessary information to enable owners to begin the paperwork necessary in recording a condominium association. Care must be taken to keep the facilitators from becoming 9:00-6:00 bureaucrats.

A review of the documents submitted by a volunteer condominium association demonstrated that the model documents developed by ICMA are adequate to register a condominium.

## **2. Meetings with *Zshek* Administrators**

### **a). Meeting with the administrator of Spandarian 2/2.**

The ICMA condominium work team visited the proposed condominium demonstration site, and met with the administrator of *Zshek* Spandarian 2/2, Derenik Davtian. The four building apartment complex fronts on Knuniants, Vardanants and Nalbandian streets. Davtian stated that there are 586 apartments contained in the three buildings comprising the potential condominium. Approximately 447 apartments are known to have been privatized. He stated that it is possible that more than 76 percent of the units are privatized since it is known that some apartments have filed for privatization and the *Zshek* is not always notified that the process has been completed.

Davtian said that he is having difficulty in getting support for condominium formation from the Office of Condominium Services. The facilitator that is responsible for the district refuses to work with the owners saying that he is assigned to another complex. Davtian said that the leadership of the apartment community is ready to proceed with the organizational work needed for registration, and that in his opinion, the community would be successful and ongoing since the site

contains all of the necessary elements for private management including office space, an electrical substation, and its own water main connection.

When asked for data on the current assessments for housing services, Davtian provided the following information:

· The current assessment for rent is one dram per square meter per month. The size of the apartments are:

One room apartment	17-20 square meters
Two room apartment	32-35 square meters
Three room apartment	45-50 square meters
Four room apartment	60 square meters

- Water service is assessed at 227 drams per person.
- Electrical service is individually metered and charged at the rate of 12 drams per kilowatt hour.
- Trash removal currently is assessed at 84 drams per person. The rate is reviewed every two months and increased as necessary.

Davtian stated that the monthly charges for communal services exceeds the average monthly salary of the typical pension of the residents.

The Spandarian 2/2 *Zshek* serves 98 buildings. Presently, the monthly compensation for a janitor is 2,300 drams; however, most employees work two shifts and earn a base salary of 4,600 drams. A bonus is often given averaging 2,500 drams, bringing the total compensation for a janitor to 7,100 drams per month.

A trade specialist such as an electrician or a plumber would earn 2,700 drams and often receives a bonus of 3,000 for a typical monthly salary of 5,700 drams. Although the trade specialists do not typically work more than one shift, tradition demands that residents pay extra money to the *Zshek* specialist in order to get repairs properly corrected in a timely manner. Author's Note: It is this hidden cost that is not considered when the city officials discuss the cost of housing and the ability of the residents to pay market rates.

After the privatization of the maintenance services, Davtian envisions operating the office as a free market enterprise employing the best of his current employees. He stated that he has a network of trade specialists within the community who are not part of the *Zshek* system whom he has nurtured to assure

that he can provide the services and tasks required by the residents. Once maintenance is privatized, Davtian expects to be able to pay his employees more than they are currently earning under the city administered system, and understands that the market based maintenance must provide quality repairs and remodeling or the owner-customers will look elsewhere for maintenance contractors.

The author asked if Davtian expected to have difficulties in obtaining materials and equipment necessary to maintain the buildings once the maintenance functions have been privatized. The question comes from experience in other republics where the access to building materials and the ownership of specialized or heavy construction equipment remains as a government controlled monopoly. Davtian did not believe that he will have a problem. His understanding of the privatization process will result in a transfer of the current *Zshek* office, equipment and stores directly to him and his staff.

**b). Meeting with the administrator of the Myasnikian District.**

Avetian and Kucharzak met with Hrayr Sahakian the district manager of the largest and highest revenue generating maintenance district in Yerevan. The Myasnikian district includes the opera house and the "Triangle" demonstration, an ICMA project to demonstrate the maintenance and rehabilitation of an apartment community utilizing commercial contractors as well as the city maintenance operations. Sahakian expressed his displeasure with the "Triangle" project and stated that the only difference with the appearance of the Triangle project is that the common areas are now cleaner than they were before. He went on in voicing his opinions by stating that he did not believe that the condominium movement would ever be successful.

Among the concerns he expressed addressed the problem of the absentee landlord. He stated that in a 100 unit building, you could find that 25 percent of the units are not occupied by the owners. This is because the owners own more than one unit, or more commonly, have taken permanent residence outside of the country, either in another republic where jobs are available, or in another country with a large Armenian population such as Los Angeles. He stated that the absentee owned units do not pay their housing costs, and will become a financial burden to a condominium. He further stated that problems that arise in the vacant unit may cause damage problems to abutting units. According to Sahakian, the condominiums will face an additional economic problem since approximately 10 percent of the owners are insolvent and not able to pay their housing expenses. According to Sahakian, that leaves about 60 percent of the owners in a typical building to carry the full cost of operating the condominium.

Sahakian said that the city needs a demonstration that the condominium concept will work. He again stated that little was learned by the

Triangle demonstration. He stated that the country needs legislation to permit the confiscation of apartments where the owner refuses to pay the fees and assessments. He further suggested that a declining subsidy be adopted by the government, thereby creating a transitional period to condominium management.

According to Sahakian, the condominium program needs to involve people who have the expertise to coordinate housing services. Not surprisingly, he saw the *Zshek*, which he locally administers, as the logical source of the expertise he believes is needed. Perhaps the most outrageous statement that he made was that he expects to be appointed as president of a master association of condominium associations to be formed within his district. He left a clear message with the author and the ICMA staff present that he administers the largest maintenance budget in the city, 10 million dram a month, and has no intention of having another person or entity, public or private, dethrone him from his post.

### 3. Meeting with the Lead Facilitators for the Eight *Zshek* Districts.

On every Wednesday, the lead facilitators for the eight *Zshek* districts meet with their supervisor, Ruben Ter-Grigorian, to discuss the progress of the condominium program, and to receive direction. During the visit on this task order, Kamo Khachatrian, Ter-Grigorian's supervisor, decided to hold the weekly meeting in his office and invited the ICMA project team to attend. Unfortunately, Ter-Grigorian was absent due to illness. Khachatrian convened the meeting with six of the eight districts present. He explained that the city has hired, or really reclassified, 16 engineers to serve as facilitators and that some districts have three facilitators assigned and some only have one, but most of the districts have two facilitators, and that the meeting normally has one representative for each district. Khachatrian explained that the weekly meeting is intended to permit the facilitators to report on the progress they are making in forming condominiums within their assigned districts. He has established a goal that each *Zshek* unit within each district have a condominium registered by year end. With 54 *Zsheks*, he is expecting the individual *Zsheks* to each contribute to meeting his year end target of 60 condominiums registered. He further stated that the problems with the Decree are preventing the registration of condominiums, and unless corrected, may impede the ability of the office in meeting its goal. He stressed that the difficulties with the law should not delay staff activities to encourage condominium formation.

It was apparent that Khachatrian was not pleased that not all of the facilitators appeared for the meeting. He closed the meeting, and Avetian and Kucharzak, assisted in translation by Karapetian, continued the meeting in the administrative offices of the condominium program. Each district then reported on its area of responsibility. The following is a summary of the reports:

#### a). Shengavit District

The district is working with the residents and providing information on the condominium program. Their instructions are to seek out buildings in which there are owners interested in a voluntary conversion to condominium ownership. This does not mean that the building has less than 50 percent of the units privatized, rather is a policy to identify apartment communities where the residents are interested in the condominium program and are willing to move toward registration as a condominium association. It was reported that the facilitators have had several meetings with five potential associations. The facilitators keep minutes of the meetings, and a registration package for one association is ready to be presented to the city office of the state registrar.

**Data:**

- The district contains 420 buildings.
- Currently, 33 buildings are included in the five potential condominiums being assisted by the facilitators.

**Problems:**

- There is concern and unrest about the future of the *Zshek* technicians.
- Assistance is needed from the city architects in defining the boundaries of the proposed condominiums. (What would later become a frequently expressed concern regarding the optimal size of a condominium prompted a lively discussion without resolution.)
- The residents and the *Zshek* employees have expressed concern as to how the *Zshek* will be compensated after the condominium is formed and the former per square meter "rent" will then be paid to the city as a housing tax.
- The residents are concerned that they do not have space for an office from which to staff and administer the needs of the condominium.

**b). Khorherdain District**

The district has submitted three packages to the Yerevan City Council to issue a Decision of the City allowing for the registration of the condominium association under the provisions of the Governmental Decision on Co-Ownership Entities for mandatory formation of condominium associations.

**Data:**



- There are 980 buildings in the district. This is the largest district in the city.

- The facilitators are working with a total of thirteen potential associations containing a total of 70 buildings.

**Problems:**

No new problems were mentioned, but the representative concurred in the problem areas previously discussed.

**c). Spandarian District**

The facilitators have submitted three complete registration packages to the Yerevan City Council for issuance of a Decree allowing for the registration to proceed. The facilitators have video taped one of the organizational meetings.

**Data:**

- The district contains 420 buildings.

- The facilitators are working with the three associations that have submitted packages to the city council. The three proposed condominium associations contain 22 buildings. The facilitators are not preparing other apartment communities for condominium registration pending the decision of the Republic to amend the decision by removing the conflict that exists between the Government Decision on Condominiums and the non-profit regulations of the Republic.

**Problems:**

- "People in general are against the condominium concept."

**d). Shahumian District**

The facilitators are working with three potential condominium associations and have submitted the registration documents to the city council. The city has approved one of the proposed condominiums and the facilitators are still waiting to hear of the City council's decision on the other two proposed associations.

**Data:**

- There are 800 buildings in the district.

- The facilitators are working with three associations. The first association is comprised of seven buildings, the second of five buildings, and the third is a one building association.

**Problems:**

- The owners are in need of office space from which to operate their association.

**e). Erebuny District**

The facilitators are working on three condominium packages. One association has elected its officers and has submitted its package to the City Council for a Decision.

**Data:**

- The district has 720 buildings.
- There are 16 buildings contained in the three condominium associations they are working on.

**f). Arabkir District**

There are two potential condominium associations in the making within the district, neither of which is far enough along to be submitted to the City Council.

**Data:**

- There are 527 buildings in the district.
- There are four buildings in each of the two condominiums being processed, and another 10 buildings in the early stages of formation.

**Problems:**

- Office space is needed for the associations to conduct its business.

- We need the city architect to issue a determination on the boundaries of the condominium clusters. "This is most important to our ability to do our jobs."

- The owners continue to have questions as to how they can be expected to pay for the maintenance costs with their difficult economic situation. It was suggested that a transitional subsidy be initiated by the city to help the residents phase into full responsibility for the maintenance.

- We facilitators need information about the future of the *Zshek*.

- There is a sense of urgency that the city hurry the process of financing and providing the building maintenance in order to preserve the nation's housing stock.

The facilitators made a special request that a mini-workshop be held where they would be "walked through" the finances of the condominium. This request came from the discussions between the facilitators and Kucharzak where Kucharzak provided some examples as to how much money could be collected from residents based on the existing fee structures, with examples provided as to the buying power of the funds in securing the services of trades people and accounting support.

#### **g). Missing Districts**

##### **1). Mashtots**

**Data:**

There are 437 buildings in the district.

##### **2). Myasnikian**

**Data:**

The district contains 202 buildings.

#### **4. Meetings With the Head of the Yerevan Office of Condominium Services.**

a). The first of the long awaited meetings with Ter-Grigorian, head of the Yerevan Office of Condominium Services, was held with Kucharzak and Avetian present. When Kucharzak asked Ter-Grigorian to outline the areas of concern he saw in the operation of the OCS, he provided the following:

i). The people of Armenia are insolvent and cannot afford to pay the costs of maintaining their housing. As a result, they will not experience any difference in the appearance of their homes. The problem of housing in Armenia is a lack of sufficient income to pay for what the people need and want including improving their housing.

ii). There is concern about how to deal with condominium conversions especially with mixed ownership of units (some privatized and some government owned). Examples provided from the United States discuss or demonstrate examples of new construction condominium developments wherein a developer builds a complex designed as, and intended to be, a condominium operation.

**Author's Note:** Although the author provided examples of apartment complexes converted to condominium operation, the U.S. examples are built around rental property where tenants buy in or move out of the complex and seek housing elsewhere. Ter-Grigorian would like more examples from Eastern Europe or Russia where the condominium effort has been underway for a longer period of time and has experienced a similar starting point.

iii). There is a major problem with the population not having experience in assuming the responsibility for the maintenance of their housing. Publicity efforts must continue to educate the public and change their thinking to that of an owner. He joked that he and his supervisor, Kamo Khachatryan, have been on TV and radio so much discussing the condominium program, they will be targets for someone who is upset with the program.

iv). There is an ongoing concern regarding the city maintenance employees. Ter-Grigorian made a calculated political/management decision when he assigned some of the maintenance engineers as program facilitators. He said that the maintenance employees and the general public understand that the maintenance department is to be phased out. As a result, the existing maintenance employees, including many of those newly assigned as facilitators are uncertain about their jobs and their future. Ter-Grigorian stated that it is this uncertainty regarding the future of the maintenance functions that prompted him to hire some of the maintenance engineers for the condominium facilitator positions. He stated that he had no choice. Had he hired new people to fill the facilitator jobs, the maintenance employees would have created "massive problems for him and the program."

v). The problem of promised incentives was discussed. Ter-Grigorian expressed concern that the top leadership of Yerevan including the Prime Minister have publicly promised the people that if they form condominium associations and pay their electrical bills, the city would provide around the clock electrical service. Ter-Grigorian said that at the present time the city cannot provide

more than an hour of electrical service a day for much of the housing. He is concerned about the effect on the credibility of the officials speaking about the program.

### **C. ASSIST IN THE DESIGN OF A TRAINING PROGRAM FOR OCS STAFF**

It has been difficult to verify the actual training that the OCS staff has undergone. The continued absence of Ter-Grigorian made it difficult to get specific answers on the quality of training received. Avetian believes that the facilitators have received training from the Yerevan State University in courses 101 and 201. Kucharzak asked her to obtain the records from OCS of the nearly 70 students who have received the training and have been awarded a certificate of participation so that we can match OCS employees against the course roster. At the time of this writing, the report has not been received.

Regardless of the training received in the past, the questions raised and the approach being taken to deal with problems in the field suggested that a refresher training course be offered now that the staff has had some practical field experience and have been confronted with the "hard" questions from the owners. A particularly weak area is an ability to effectively deal with the issues of financing the operations of the condominium. In addition to the lack of confidence in the program the staff feels as residents of Yerevan who understand the economic plight of the people, the facilitators lack the ability or training to convert the cost of hiring staff, securing office and storage space or contracting for repairs into terms that are understandable to potential condominium owners. The facilitators repeatedly focused on the major capital expense items such as replacing the roofs on five major buildings even though Kucharzak tried repeatedly to get them to focus on the rather modest per unit cost of hiring their own electrician or plumber, and the improved quality of life that could be enjoyed by the residents by having their own employees working on their homes. A major block for many facilitators is that they are not trained as community organizers in the traditional United States schools of social work sense, rather they were recruited from the ranks of the city maintenance engineering staff. It may be easier to make a social worker into an engineer than an engineer into a social worker; however, the city has chosen to assign maintenance engineers as facilitators for political and morale reasons, and are adhering to this decision, and bristle if it is questioned. Among the recommendations that have been incorporated into this report is the suggestion that a workbook/handbook be developed that will serve as a training aid for staff and owners and will allow the participants, especially the owners, to experiment in group problem solving. The workbook/handbook would be intended to be retained by those trained and will serve as a reference resource as questions arise in the future. The "Guide To The Formation of a Cooperative of Apartment Owners" developed by USAID/ICMA for the Republic of Kazakhstan could be modified for use by emerging associations as they undergo the pre-registration phase in forming their association.

#### **D. ASSIST THE STAFF IN PUBLICIZING THE OCS**

Project Manager, Diana Avetian has been working on the publicity program being financed by USAID/ICMA. A series of newspaper articles have been contracted that began with the first training session for city officials held in June 1995, and continued for five months. With the opening of the Yerevan OCS and the registration of the first condominiums in Armenia, the Yerevan office of ICMA contracted with a professional video firm to record the condominium formation process following a script developed by Avetian. Once completed, two videos will be used for public service promotion on the local television stations. Work is underway to develop similar promotional materials for the local and state radio stations. The intermittent availability of electricity for television reception results in most Armenians relying on the print media for news. To assure that the information about the USAID/ICMA condominium formation efforts reach the majority of the citizens, the office will rely heavily on the print media to promote the program. In discussions with the cities visited, all have used the newspapers and radio, and Vandazor and Yerevan have used television. Echmiadzin will receive a local television station by year end and will use the media to promote the program.

The registering of the first condominium association in the Republic of Armenia was a significant event that ushered in a major change in how Armenians living in multifamily housing will contract for their shelter needs, and how the governments of Armenia will restructure their delivery of services to the citizens. The significance of the event warranted a ceremony whereby the top officials of the city, representatives from the United States Embassy, the USAID mission, the state registrar's office and the first condominium association ready for registration, came together to witness the completion of the registration process. Publicity for this event involved all of the media, and care was taken to assure that the timing and scripting of the event would assure maximum publicity value. The local coverage of the event on the evening news was very good, and the reception of the television signal outside Yerevan helped educate residents of neighboring cities.

#### **E. ASSIST IN IDENTIFYING LEGAL, POLICY, AND PROCEDURAL ISSUES THAT IMPEDE THE OPERATION OF THE OCS AND MAKE RECOMMENDATIONS.**

Additional training should be offered to the staff of the Office of Condominium Services now that they have been hired and they have enough field experience to understand their responsibilities. Many of the questions that have been raised indicate that the material that was presented in the Yerevan State University courses 101 and 201 was not fully understood and a refresher course with more emphasis on community organization and "marketing" the program should be considered.

· An "Owners Guide to Condominium Ownership" should be developed so accurate information regarding elections, rights of owners and techniques for competitive bidding of repairs is understood by the average privatized apartment owner. It is understood that the basic information regarding management of a condominium association and the rights of owners is contained in the 101 course offered by the Yerevan State University to presidents of condominium associations and to OCS personnel; however, an abbreviated text should be considered that will inform owners of the basics of condominium operations and their rights without requiring their attending the University course. This recommendation addresses the concerns that follow comments from the two *Zshek* administrators we interviewed who understood that they would automatically be given the maintenance work for the new condominium associations and that the only change would be that instead of being a government maintenance operation, they would now be a private, for-profit enterprise, basically, an unregulated monopoly. The comments made by a district maintenance supervisor who oversees the *Zshek* operation and the condominium services staff assigned to the district, and who expects to appoint himself as the president of the condominium association to be formed in his maintenance district is a serious concern. The legislation clearly states that the officers are to be elected; however, if existing government bureaucrats either do not understand the legislation, or more likely, chose to ignore it to protect their fiefdoms, then the average citizen will have the information on their rights filtered by the existing officials who have had wielded considerable power over them and controlled the quality of their shelter for decades.

· A related issue requires that the city move forward aggressively to set forth an official policy on the privatization of the *Zshek* and include therein a timetable for the transition. If the condominium program remains closely tied to the existing maintenance operations, the movement to privatize the *Zsheks* and to encourage a free enterprise competitive maintenance and property management industry in Armenia will be hindered, and the relationship between the owners and the maintenance operations will be so similar to the old system that the change will appear insignificant.

· A key element to the privatization of the maintenance and the creation of a property management and maintenance industry is the need to develop business incubators. The conversion to condominium ownership will create an enormous opportunity for entrepreneurs to establish businesses and use the skills that they have acquired in government service to meet the demand created by the privately owned housing. Prompt implementation of training and mentoring programs will assure, early on, that a competitive free market system for housing maintenance and management is the new way in which people contract for services.

· The concerns raised by the facilitators regarding the need for the city architect to determine the boundaries of the condominium property should be

administratively dealt with and corrected or raised to a higher level of authority. It was also apparent that the Office of Condominium staff, the facilitators and the ICMA staff did not have needed information on the status of filed requests for City Council Decisions authorizing the registration of condominiums or the disposition of the requests.

- A recurring concern questions the ability of the owners to pay the full costs of the maintenance and management of their buildings. Armenia should consider adopting a housing allowance program that will provide government housing subsidies to income tested families who are unable to pay the full cost of housing. For many families the housing allowance program would provide a necessary transition period from full government subsidized housing to fully private paid housing costs. At risk populations such as the fixed-income-elderly, the disabled and the very poor families will require long term subsidies; however, failure to address this area may result in a further decline in expendable income for most families as they struggle to meet housing costs. At risk families may become homeless as they become unable to pay the fees and assessments necessary for the condominium associations to perform even the most basic of maintenance and management functions.

- Improvements to the central administration office of the Office of Condominium Services need to be considered by the City Maintenance Department. The existing space assigned to the central administration should not continue if other office space is available. The office is difficult to find, located at the end of a narrow blind corridor. When electricity is not available, the windowless corridor is completely dark and hazardous. The location of the "pit" style toilet room at the opposite end of the blind corridor emits foul odors that fill the corridor and force the staff of the administrative offices to work with the door closed, thereby adding to the darkness and an unwelcoming feeling in the office.

The Head of the Office of Condominium Services and the Office Manager each have a computer; however, the hardware used by the Office Manager should be upgraded to handle the high volume of data files that will be generated as the condominium conversion program gets into full operation. ICMA should assist in researching the availability of software packages that could be used in establishing the data base for the program.

- A number of legal issues arose that should be addressed and, if warranted, introduced to the proper government jurisdiction for legislative action.

1. Legal authority should be considered to allow for the establishment of a legal basis for formation and operation of Master Associations. Unless addressed, this will be a recurring problem when a number of buildings, often with mixed uses and structure types, share common areas.



2. The issue of the commercial spaces in forming condominiums needs to be addressed in the legislation. The existing Government Decree on Co-Ownership Entities addresses commercial space as "non-residential" and while allowing for inclusion into the association, the Decree prohibits owners from engaging in commercial activities, an obvious conflict. Condominium associations should be granted ownership of the commercial spaces that are now state owned as well as the basements and storage areas as part of the condominium property. This would permit the association to collect the commercial rents, which would provide a most important source of income to the association.

3. A review of existing statutes and the creation of new legislation regarding the ability of the condominium associations to pursue legal remedies for non-payment of dues, assessments and utilities should be considered. Absentee owners are a chronic problem throughout Armenia. Many apartments are privately owned but not occupied because the owner has taken up permanent residence in another country, or the owner owns several apartments and chooses to leave some empty for an indefinite period of time. In either case, the owners often do not make the required payments. On occasion, the absentee ownership results in frozen pipes, flooding and damage to adjoining units. A system of condemnation proceedings and a court ordered sale of the unit should be considered in the case of recalcitrant owners.

4. A housing court should be considered. The newness of the legislation and the vast number of people who will now be living under new forms of housing ownership and responsibility will require that a specialized judicial system be available to arbitrate and decide on what will probably be an overwhelming number of issues and claims. Prompt disposition of cases could be achieved by a magistrate or a similar jurist whose caseload would be limited to housing matters.

**F. HELP IN DEVELOPING A PROCEDURAL MANUAL THAT MAY BE DEVELOPED LATER**

The idea of additional training was addressed at each city visited with the consensus being that the cities do not need any more basic material on condominium formation, but are hungering for reports on the successes and failures of other NIS countries who have been involved in the condominium program for a longer period of time.

The concept of introducing a handbook for residents similar to that developed for Kazakhstan was discussed with Resident Advisor Anlian. Anlian does not believe another document needs to be developed for Armenia. The materials developed by the Yerevan State University condominium program is adequate for the education of the residents as well as the city. He did express an openness to develop additional materials if it is shown that the materials currently available are not adequate. It was

**suggested that the university training program has not reached all of the cities that are scheduled to receive the introductory and intermediate training sessions. With ICMA Armenia having a full-time, capable Project Manager, Diana Avetian, and a close relationship with the university, this task could be delayed until such time that the ICMA Armenia staff indicate otherwise.**

## **VI. VISITS TO OUTLYING CITIES**

Visits were made to three outlying cities, Vanadzor in the area affected by the 1988 earthquake, Abovian and Echmiadzin, two cities within a half hour drive of the capital city. The following is a report of the visits. In addition to the report on Yerevan only the visit to Vanadzor will be included in the final report for reasons that will become obvious.

### **A. THE VISIT TO VANADZOR**

A one-day visit to Vandazor was made where the Deputy-Mayor, Armen Hovanissian, and his assistant, Armen Bejanian, met with the ICMA condominium program working group consisting of Avetian and Kucharzak. This was the second visit to Vandazor by Kucharzak, the first being last summer at the seminar to train the city officials on the condominium program. As with all of the cities exposed to the training, Vandazor was encouraged to open an Office of Condominium Services and begin undertaking measures to implement the program. In establishing the condominium program in Vandazor, the city set as the goal for the program the establishment of a system whereby the residents are given many rights regarding the ownership and management of their housing, and with the rights come certain obligations. The Office of Condominium Services was opened by a decision of the Executive Committee of the City Council. The full council does not have to meet to permit the Executive Committee to establish "temporary structures," which are then ratified by the full council at a later time. The Deputy Mayor said that having such a large city council, the full council does not come together for many decisions including the approval of the annual city budget. In creating the Office of Condominium Services, the city took advantage of a directive of the Republic of Armenia that instructed the cities to cut the budgets of the councils. In complying with the reduction in personnel necessitated by the budget cuts, the city took two innovative measures: First, the money cut from the city council budget was assigned to the Office of Condominium Services; secondly, existing job descriptions for city council personnel were modified that added new duties required by the condominium program. The city then offered the new positions in the Office of Condominium Services to the people who would be laid off as a result of the council budget cuts. Several employees decided they could not perform the job duties required, or chose not to accept the new assignment and were laid off. Armen Bejanian was appointed as head of condominium program, and two support staff positions were created. Although a separate office was not opened for reasons that will become more obvious later, the city has begun providing information on the program. The Deputy Mayor made a point of stating that the city of Vandazor made a conscious decision not to follow the pattern of the city of Yerevan which folded the Office of Condominium Service into the city maintenance structure. According to Hovanissian, the city of Yerevan took an easy out and assigned the condominium program to the city maintenance organization to preserve the jobs of the maintenance employees and minimize the city's morale problems.

Deputy Mayor Hovanissian provided an explanation of the progress the city made in preparing for the implementation of the program and identified some of the problem areas that have been identified. Typical of Vanadzor's professional approach to city management, the ICMA project working team were shown a detailed map that has identified 86 buildings that have over half of their apartments privatized and, therefore, are eligible for mandatory condominium formation. Also delineated on the map was a demonstration condominium "neighborhood" site showing the buildings and the electrical, water and heating distribution system servicing the site. A five building site containing 79 apartments within the larger demonstration area has been selected to initiate the program.

A compact informational brochure has been developed and circulated within the demonstration area and distributed to the public visiting the city offices. The city prepared an informational packet that includes a sample charter based on the ICMA model modified to accommodate local needs. The city had scheduled the organizational meeting with the owners of the demonstration site for the following day (the city was originally told that the ICMA team would be spending two days in the city and that the organizational meeting was scheduled to enable the ICMA team to attend. The schedule was intended to be a surprise designed to show the progress being made by the city). If all goes well, the city plans to have the condominium and three others presented to the office of the state registrar for registration in the first week of December.

The city is focused on decentralization of services, and that philosophy has led the city to the decision to not open a condominium program office within the city hall, but rather to explore the opening of a separate office that will house the condominium program and other existing and newly created programs designed to improve the quality of life of the citizens. The city has entered into an agreement with the Yerevan State University whereby the university will open a satellite training center in the city of Vanadzor. The satellite training center and the city's housing service center will be located in the same building. It is the intention of the city to open the center as a separate public organization and later, once it has been operating for a while, complete the work necessary to establish the center as a separate legal entity intended to be economically and politically independent and self-sufficient.

The city is working on an application for a EURASIA grant to open, equip and help operate the housing services center. The deputy mayor stated that the grant may be somewhere between \$25,000 up to \$250,000. The city plans on equipping the office with a large number of computers, and believes that more than \$25,000 will be required. In order to apply for a large grant, EURASIA will require that another non-profit entity support the city's application. Vanadzor is hoping that ICMA will be that entity. The co-sponsorship will not require ICMA to provide financial support. The request was discussed with Anlian, and he expressed doubt that the city

will be successful in attracting a large grant from the EURASIA foundation. According to Anlian, EURASIA does not give grants to cities, rather to NGOs or non-profits. In addition, EURASIA is looking for a demonstrated history of accomplishments from the potential grantee. A contingent from Vanadzor visited the ICMA offices when Anlian was attending the UN housing dedication ceremony. Kucharzak met with the delegation and explained ICMA's understanding of the grant process, and stated that ICMA Yerevan cannot obligate the agency to co-sponsorship of the grant application, but we would send the request to Washington DC if the city so requests. The city officials stated that they were knowledgeable of the conditions of the EURASIA grant, and will begin immediately to take measures to establish the municipal nonprofit entity and assign to it the task of opening and maintaining the OCS. The city will continue work on the grant application and will submit the completed application to ICMA for their consideration.

The city envisions the following tasks related to the condominium program as priority tasks for the housing service center to perform:

- Prepare the charters for four types of housing communities:

- Condominium communities
- Single family home communities
- Associations of state owned buildings

These are really condominium associations established in buildings where the owners chose not to establish condominium associations on their own.

- Mixed communities

(These are neighborhood communities that contain housing communities of two or all three of the above described community types.)

- Establish a data bank for all residential activities. The city envisions a computer data bank that contains the following information:

- A current census of the city. Currently the city has 80 percent of the needed data. The task will be to complete the data elements. The data would then be used to help identify which households are unable to pay the cost of housing and need rental assistance. The data would also provide information necessary to restructure the utility fees and create a more equitable system.

- Technical data on the infrastructure including the location of all underground utilities.
- Tasks directly supportive of the condominium program that will be provided by the housing service center:
  - Provide all training related to the condominium program.
  - Provide all registration assistance.
  - Maintain a library and research center to study housing issues in other countries, especially NIS countries.
  - Provide some legal services related to the condominium program, and arbitrate conflicts between the owners and the service providers.
  - Prepare and train additional staff as needed including staffs of emerging condominiums.
- Tasks that may be assigned to the center in the future:
  - Within two or three years, the center would serve as a cadastre office.
  - Have a complete data base on all housing and residents in the city. This will provide the city with needed data as to which families cannot afford to pay their housing costs. In addition to determining the need for housing subsidies, the data will be used by the office to more accurately determine which families could afford to pay their housing costs but may not be paying.
  - Maintain an inventory of the utility supply system. Currently, the lack of accurate data prevents accurate budgeting for the city utility providers.
  - Cities are granted the right to levy local taxes. Vanadzor has not exercised this right, absent a system for accurately assessing and collecting the tax. On a related issue, the city plans to increase the existing tax on non-privatized dwellings as an incentive for residents to privatize their apartment before the end of the free privatization period ending December 31, 1996.

**Innovations proposed by Vandazor to support the condominium program.**

The city of Vandazor, like all of the other cities visited in conjunction with the condominium program, has identified the insolvency of many Armenians as the greatest obstacle to the housing reform program; however, unlike any other cities visited, Vandazor has undertaken measures to provide meaningful incentives to owners forming a condominium and designed a program that will benefit the city as

well. The following is an summary of the two incentives discussed with the city officials:

- **Real Estate Tax Exemption**

The city has taken measures to have legislation in place by February 1996 that will give condominium associations the option of registering the ownership of the land along with the condominium building, or only registering the buildings. The Deputy Mayor explained that if the associations do not claim ownership of the land, then under Armenian law, the owners of the structures on the developed land are not required to pay real estate taxes. The working group and the city representatives spent some time discussing the concept. During the discussion the city and the ICMA working group delved into some of the options that could be considered to protect the owners interests and provide the economic incentive intended by the city. In particular, the concept of long-term land lease was explored as an option. The city reported that under Armenian law, lease of the land, even without the payment of rent, would obligate the residents to pay real estate taxes. After the dialogue the ICMA working group was assured that the city had taken measures to protect the ownership rights of the condominium association, a protection that is intended to survive local political changes in the future. The city has also provided a mechanism within the proposed legislation that would permit owners who opted for one option on the tax issue to change to the other tax classification. The legislation is intended to give the condominium associations additional funds with which they can maintain and manage their property.

- **Utility Charge Rebate Program**

The city proposes to offer a financial incentive to condominium associations which enter into an agreement with the city departments providing electrical, water and central heating services, whereby the association would agree to collect the utility fees from each of the association owners and pay the city for the services provided, and a second option whereby the association would agree to assume responsibility for the maintenance of the utility supply system on the property but outside of the building envelopes, for which the city would rebate a portion of the fees paid. The rebate would come in two forms. Under the agreement, the city would require that the association collect utility assessments from the individual members and pay the "master bill" to the city. For providing this service, the association would retain 10 percent of the money collected. Once the city posts the revenue receipts, the city would rebate an additional 5 percent of the total amount collected from the individual owners. The city would require that the fees earned would be deposited into a special bank managed reserve account. The second rebate would be provided when the city performs the accounting and, once assured that the fees have been properly collected, the city would rebate according to a sliding scale averaging 40 percent of the fees paid. This second rebate would also be deposited into the association's replacement reserve account established for this purpose. Each

association would have a separate bank account. If a component of the utility system requires replacement, the association would contact the utility and arrange for the repairs. The city and the association would then both sign a withdrawal from the reserve account to pay for the work. If the balance of the account is insufficient to cover the repairs, the city would advance the needed money and collect the advance as the account builds over time.

The benefit to the association would be priority repair attention from the city. The advantage to the city would be the assurance that if it performs the repairs, it would be paid. A second advantage to the city is the reduction in the administration of the billing system. Instead of accounting for individual apartment utilities, the city will now only have to perform record keeping on individual buildings. The system would self-police non-payers since the association would not receive the full rebate that they would otherwise be entitled to if all owners did not pay their assessments on time.

The program is a significant improvement from current and past practice. Under the existing system the city assesses the owners for utility services. The city then places all of the revenue received into a central account. Disbursement from the account is on a city determined, as-needed basis, often leaving residents who regularly pay the assessments without needed repairs. The proposed rebate incentive will help assure the owners that the money collected from the association would only be used in maintaining the association's utilities.

#### **· Individual Metering of Utilities**

The current practice of providing utilities is to individually meter electrical service and to assess a per person consumption fee for cold and hot water and hot water heating distributed through out the city from a central heating plant. In the opinion of the city officials, the basis for the assessments is not relevant and should be studied and reestablished in a manner that reflects the current consumption rate of the residents. While the review of the fee structure would greatly improve the citizens' perception of fairness regarding the utility system, the city would like to introduce separate metering of all utilities. The city is negotiating with the republic which controls the water distribution system in an effort to begin the restructuring of the water rates at the supply. If successful, the city would like to offer "wholesale" rates to condominiums installing master meters and handling the collection tasks.

The concept of introducing separate metering of the utilities was mentioned in both Yerevan and Vandazor, and is strongly encouraged by the author. The manufacture of the meters would be an excellent private business venture for an existing foundry in Armenia, and would be a job-creating opportunity. If successful, Armenia may be able to export meters to other NIS republics.

#### **B. THE VISIT TO ABOVIAN**



The City of Abovian has not opened an Office of Condominium Services, but has assigned the duties to the maintenance office. The Deputy Mayor for Communal Services, Khachatur Ghaplanian, participated in the recent study tour to the United States. A week before our visit, the *Zshek* staff, including the engineers and the program support and management staff consisting of accountants and cooperative managers, attended the Yerevan State University Condominium 101 workshop.

Ghaplanian expressed the often heard concerns about the economy, the insolvency of some of the residents, and the need for capital repair to the buildings. The city is exploring the possibility of providing capital repairs for an unspecified transition period.

The city is experiencing strong resistance to the program from the *Zshek* employees.<sup>3</sup> Unfortunately, Ghaplanian made a shocking statement informing us that he has informed the *Zshek* engineers that they should cooperate and not fear the condominium program "because they are the only people who can manage the properties and when the condominium associations are formed, they will be the presidents of the associations." Ghaplanian saw no conflict in his position and later, while discussing another aspect of the program, he questioned aloud where the *Zshek* is spending all of the money they have been collecting from the residents. He stated that the system is very inefficient. This of course is a contradiction with his earlier statements that the *Zshek* should play a key role in the condominium program. According to Ghaplanian the governments have a Soviet mentality and do not plan to spend any money on housing. Publicity efforts must continue to create an owner mentality among the citizens. He stated that "the government thinks about the people, but the people do not think about the government." He asked that we petition the mayor to establish and staff an office for the condominium program. He does not have the time to give the program the attention that is needed, and he stated, "A *Zshek* engineer could staff the office and manage the program." The other request he made was that other city staff attend a study tour to Russia or another NIS country to learn from their experience. Author's Note: This suggestion has occurred with such frequency, and is often repeated, that I would conclude that there was some sort of an agreement that the request for a NIS study tour would be given priority during the ICMA site visits. Perhaps the folks on the United States study tour discussed the value of the study tour experience when they were together and decided to expand on the effort.

The working group met with Mayor Vosherchian and summarized the findings of the visit. Kucharzak requested that the mayor consider opening an Office of Condominium Services, and staff the office with trained program support staff. Kucharzak further outlined the recommendations including the need to address the problems of subsidizing the insolvent, and importance of encouraging the *Zshek*

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resistance by the Abovian *Zshek* was evident during the workshop training attended by the author in July 1995

employees to consider and prepare themselves to establish private enterprises to maintain and manage the housing. The mayor was surprised at the suggestion, but receptive to the concept of a separate office for the condominium program. He stated that the condominium formation program was an important program but the city has other more pressing problems that have to be dealt with as well. The mayor was less enthusiastic about creating a program to transition the *Zshek* into private enterprises. He restated his concerns regarding the insolvency of the citizens, and despite Kucharzak's efforts to show the linkage to job creation, the mayor did not seem interested in pursuing the discussion.

### **C. THE VISIT TO ECHMIADZIN**

The working group visited the city of Echmiadzin and met with the Deputy Mayor for Energy, Gevorg Zohrabian, and the staff person assigned to the condominium program, a participant on the recent study tour to the United States, Lioaa Aslanian. Aslanian explained that approximately 30 to 40 percent of the households have been contacted about the condominium program. Because of the problems with electricity, the city has relied on written materials to describe the program, including informational brochures and the print media. By the end of the year the city will have a local access television station and will use the medium to convey information about the program. The city expressed an interest in receiving the ICMA videos for broadcast.

Two sites of four buildings each have been identified for condominium formation. Each site has just over 200 units and was selected because of its similarity in construction type, age and condition. The city went on to list the same problems that were expressed by other cities: the apathy of the people, the insolvency of the residents, the unwillingness to pay fees for services and the deterioration of the housing stock. The city plans to help form the condominium associations by identifying residents who have the talent and are "comfortable" with the role of board members.

The most vexing problem for the city is the activity of the *Zshek*, who are involved in an extensive marketing campaign, visiting each resident and "selling them" on staying with the *Zshek* as the maintenance and management entity for their building. The ICMA working group provided some ideas to the city to make certain that the message about the condominium program reaches the residents and is identified as separate and distinct from the *Zshek* activities. Author's Note: The approach taken in Echmiadzin is different than that of Yerevan and Vanadzor for it does not use the *Zshek* staff as the condominium program staff, and understands the need to have the citizens form independent resident managed condominium associations. The paralyzing concern about the insolvency of the residents is the only weakness that is preventing the city from undertaking a more forceful approach. They fear that to encourage condominiums and privatize the housing and maintenance services in the current economic situation would be immoral.

## **VII. CONCLUSIONS**

**The program to encourage the formation of condominiums in Armenia continues to move forward at a remarkable pace. The local workshop instructors trained by USAID/ICMA have exceeded expectations and have added nine more cities to the original goal raising to 42 the total number of cities in Armenia where resident trainers presented a seminar to local government officials. It has been demonstrated that following the training, local governments are capable of implementing the condominium formation program with only intermittent support from USAID/ICMA. The success of the training and the prompt follow-through in initiating the registration of condominiums has moved Armenia forward in their housing reform program such that the other complimentary and necessary reform program elements must be introduced. Unlike earlier reform programs in other republics of the former Soviet Union, Armenia is more concerned about the quality of the condominium effort, and while working to accomplish numeric goals for registering condominiums, is poised to initiate the necessary support elements including:**

- The privatization of the maintenance program**
- The establishment of a legal basis for enforcing owners rights under condominium ownership**
- The creation of business incubators to create a free market housing maintenance and property management industry**
- The establishment of a housing allowance system to protect the housing access for at risk populations**